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Next 3 Page(s) In Document Exempt

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ARTICLE APPEARED
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BROADCASTING
1 April 1985

Editorials

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Casey at the bat

The discovery that William J. Casey, director of the Central Intelligence Agency, retains ownership of stock in Capital Cities Communications is unlikely to affect Capcities' acquisition of ABC, nor should it. Casey has been intimately associated with Capcities in the past as a member of its board and its counsel. He would have been foolish not to acquire stock in a company that he knew was destined to succeed.

It is, however, worth at least passing notice that Casey's CIA has a complaint against ABC pending at the FCC. Indeed the CIA has been dogged in its insistence that the FCC punish ABC for airing an unconfirmed report that the CIA tried to rig the assassination of a former partner. Rejected in its first attempt at FCC reprisal, the CIA filed a petition for reconsideration clearly signalling an intention to get the network one way or another. Could so unbending and determined an assault be the work of Casey's underlings?

What is the CIA to do about its complaint now that the hated ABC is in prospect of falling into Casey's portfolio? Interesting question. The CIA cannot withdraw its complaint without suggesting that the director's passions can be cooled by fiscal opportunity. It can, however, accept the FCC's second rejection, which is generally predicted, and that would be too bad. As noted here before, a CIA appeal from an adverse FCC decision just might give the courts a chance to correct themselves on the broadcasters' First Amendment rights. Surely no court that had read the Constitution would abide as direct a governmental attack on the editorial process as the CIA has attempted.

Maybe Tom Murphy's business acumen has innocently deprived the Fifth Estate of a court case with a happy ending.

ARTICLE APPEARED
ON PAGE 43

BROADCASTING
1 April 1985

FILE ONLY -DCI

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Casey among winners in Capcities stock rise

Last week it was learned that one of those benefiting from the proposed sale of ABC is CIA Director William Casey, who also was a director of Capital Cities Communications for several years in the late 1970's. Casey owns almost 35,000 shares of Capcities stock, it was reported last week, slightly less than the 37,000 he owned while a director. Other stocks of the CIA director had been placed in a blind trust in 1983, but the Capcities block apparently did not qualify because it would have made up more than 20% of the trust's value. Last week Casey said he would put the Capcities shares, which are currently worth over \$7 million, into a blind trust if it meets with the approval of the Office of Government Ethics.

BALTIMORE SUN
29 March 1985

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Ethics aide says Casey was wrong on trust rules

WASHINGTON (AP) — The head of the Office of Government Ethics said yesterday that CIA Director William J. Casey and his lawyers misunderstood the rules of his blind trust when they excluded his stock in Capital Cities Communications, a media conglomerate planning a takeover of ABC.

Mr. Casey did not put his Capital Cities stock into a blind trust when he established one for most of his other investments in 1983. A spokesman for Mr. Casey said that was because government ethics regulations do not permit such trusts to include a stock that is more than 20 percent of a person's entire holdings.

But David H. Martin, director of the government ethics office, said his office was authorized to grant exceptions to that exclusion rule and could permit the Capital Cities stock to be placed in Mr. Casey's blind trust.

"At the time the trust was set up, I truly think... Mr. Casey and his lawyers were under the impression that indeed there was no exception available to them on the Capital Cities stock," Mr. Martin said in a telephone interview.

"In fact, we could have made an exception at that time, had they applied," Mr. Martin added. "They didn't, apparently because they misunderstood they could not."

Mr. Casey said late Wednesday that he was willing to place the shares in the trust. A CIA spokeswoman, Kathy Pherson, said yesterday that the director had sent a letter to his personal attorney who handled the blind trust, Leonard Silverstein, authorizing him to take the steps needed to have the stock moved into the trust.

Mr. Silverstein did not immediately return a reporter's telephone call seeking comment.

Mr. Martin said the office probably would grant an exception and allow the stock to go into the trust.

Ms. Pherson said she did not know the exact number of shares Mr. Casey holds and could not confirm reports that he holds 34,755 shares. That amount would be worth more than \$7 million.

Mr. Casey's latest financial disclosure form, dated May 15, 1984, states that his Capital Cities stock is worth more than \$250,000 and that his wife's holdings were valued at between \$100,001 and \$250,000.

Mr. Casey established the blind trust in October, 1983, while under pressure from Congress because of his stock dealings while CIA director.

Asked if Mr. Casey or his lawyers

misunderstood the blind trust, Ms. Pherson said, "All I know is he had asked his attorney to work out the transfer of securities to a blind trust."

Mr. Martin said regulations of his office under the Ethics in Government Act set a limit of 20 percent in any one block of stock for such a

blind trust in order to assure that the portfolio is diversified and that the securities are readily marketable.

If a person's portfolio is dominated only by one stock, he said, "you don't want a blind trust. You want a recusal." That means, he said, that the person would excuse himself from any consideration or action on

dealings with that company in the course of his government job.

Linda Gustitus, minority staff director of the Senate Government Affairs subcommittee on oversight of government management, which handles ethics matters, said the 20 percent requirement was to ensure the "blindness" of the trust.

29 March 1985

FILE ONLY

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ETHICS CHIEF: CASEY COULD HAVE PUT MEDIA STOCK IN TRUST
BY WILLIAM WELCH
WASHINGTON

CIA Director William J. Casey's stock in a media conglomerate may have been eligible for placement in the blind trust he set up for other investments in 1983, the government's chief ethics officer says.

David H. Martin, director of the Office of Government Ethics, said Thursday that Casey and his lawyers misunderstood the rules of the blind trust when he put most of his stock into the trust but kept control of his shares of Capital Cities Communications.

Martin said the office probably will grant Casey's request now to place the shares into the blind trust.

In excluding the Capital Cities stock, Casey cited government ethics regulations that don't permit such trusts to include a block of stock making up more than 20 percent of an official's investment portfolio.

But Martin said his office is authorized to grant exceptions and probably would have done so had Casey asked.

"At the time the trust was set up, I truly think ... Mr. Casey and his lawyers were under the impression that indeed there was no exception available to them on the Capital Cities stock," Martin said in a telephone interview.

"In fact, we could have made an exception at that time, had they applied," Martin added.

Casey's lawyer, Leonard Silverstein, did not return a reporter's telephone call seeking comment.

Casey is a founder and former director of Capital Cities Communications, which is proposing a \$3.5 billion takeover of the ABC television network.

That network has been the object of an unprecedented complaint filed by the CIA last November, charging intentional news bias in a story involving the spy agency. The FCC rejected the complaint, and the CIA has asked that it be reconsidered.

Casey created the blind trust in October 1983 under pressure from congressmen and others critical of his trading in stock while heading the agency.

Among those who pressed for the blind trust was Sen. Carl Levin, D-Mich. A spokesman, Phil Shandler, said, "He was surprised to learn about this because it was his understanding at that time that all of the Casey holdings would be put in the trust."

Linda Gustitus, minority staff director of the Senate Government Affairs subcommittee on oversight of government management, which handles ethics matters, said the panel wasn't informed that Casey was keeping control of some investments.

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But CIA spokeswoman Kathy Pherson said Casey informed Sen. Barry Goldwater, R-Ariz., then chairman of the Senate Intelligence Committee, in an August 1983 letter: "The Office of Government Ethics has advised my attorney informally that my holdings in Capital Cities Communications do not meet the diversification requirements and I will therefore hold them outside the trust."

Ms. Pherson said she did not know the exact number of shares Casey holds and could not confirm reports that he holds 34,755 shares. That amount would be worth more than \$7 million.

Asked if Casey or his lawyers misunderstood the blind trust, Ms. Pherson said, "All I know is he had asked his attorney to work out the transfer of securities to a blind trust."

Martin declined to comment when asked if the holding of Capital Cities stock by Casey could present an appearance of a conflict of interest, or if the Capital Cities takeover of ABC would pose a conflict or appearance of one.

28 March 1985

FILE ONLY

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Editorials

Officials' Blind Trusts Should Be All-Inclusive

In 1983, Sen. Carl Levin withdrew his resolution to require directors of the Central Intelligence Agency to put their financial holdings in blind trusts. Levin thought that was exactly what CIA Director William Casey had done.

Two years later, this turns out not to be the case.

Rita Ciolli of Newsday's Washington bureau discovered last week that Casey had exempted from the trust 34,755 shares — about \$7.5 million worth — of Capital Cities Communications, a firm that he helped found 30 years ago and that is now in the process of buying the ABC television network.

The news that some of Casey's portfolio had been excluded came as a total surprise to Levin's office. "It was our understanding that the trust included absolutely all of it," said Linda Gustitus, who works for the Michigan Democrat and was involved in the negotiations that led to the resolution's withdrawal.

But the exclusion came as no surprise at all to the Government Ethics Office, which has approved trust arrangements for Casey and at least 30 other officials of the Reagan administration. An Ethics Office lawyer, Gary Davis, said shares of stock and other assets are excluded from many of the trusts for various reasons. Davis said the ethics of-

fice couldn't tell whether any other securities owned by Casey had been left out of his trust unless it looked at his financial disclosure statement and tried to compare that to the trust's contents.

As far as the ethics office is concerned, it was all right for Casey to keep his Capital Cities stock outside of the trust, and no special review or investigation is planned in light of the proposed merger with ABC, according to Davis.

The White House refused to say whether it believed that Casey's holdings created a potential conflict of interest. When asked what would happen if the Capital Cities merger went through and Casey then complained to the Federal Communications Commission about ABC's news practices — as he did last year — White House Press Secretary Larry Speakes responded:

"Casey now will be directly able to deal with Boone [ABC News president Boone Arledge] and he'll omit the FCC." Speakes meant his comment as a joke, of course, but such a relationship between a CIA director and a major news organization is a chilling prospect.

What's more, the controversy raises disturbing questions that go far beyond Casey. Correctly or incorrectly, the public perceives the establishment of blind trusts by high officials as meaning that they no longer maintain any control over their investments or over the companies in which they own substantial interests.

But when the Government Ethics Office approves trusts that exclude something as sensitive as communications stock owned by a CIA director, the process is seriously flawed. Levin should reintroduce his resolution — with an explicit requirement that blind trusts include entire portfolios.

CASEY OFFERS TO PLACE MEDIA STOCK IN BLIND TRUST

WASHINGTON (AP) - CIA Director William J. Casey, facing questions about his stock in a conglomerate that wants to buy ABC television, says he would be willing to put the shares in a blind trust created in 1983 for his other investments.

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Casey said in a statement issued late Wednesday that his personal attorney would consult with government ethics officials about placing the Capital Cities Communications Inc. stock in the blind trust.

"It is a matter of indifference to Mr. Casey whether that stock is in the (blind) trust or not," CIA spokesman Kathy Pherson said.

Casey's ownership of stock in Capital Cities raises questions about his possible ownership of a significant stake in a major television network while directing U.S. intelligence.

While his Capital Cities holdings may be worth \$7.5 million, Casey's share of the company he helped found amounts to only one quarter of one percent of outstanding shares, according to the Long Island newspaper Newsday.

CIA spokesman Patti Volz said Casey did not put the Capital Cities shares in the blind trust when it was created because Office of Government Ethics regulations don't permit such trusts to include a holding that is more than 20 percent of an entire stock portfolio.

David H. Martin, director of the ethics office, did not return a reporter's telephone call on Wednesday and an aide, Peter Andriole, said "the office has not made a statement yet."

Earlier Wednesday, White House spokesman Larry Speakes said he saw no problem with Casey's ownership of the Capital Cities stock outside the blind trust. But Speakes declined to say whether Casey should put the stock in a blind trust now that Capital Cities is proposing to take over ABC.

"That's not a judgment that I'm required to make," Speakes said. "It's one for the Office of Government Ethics."

Casey's stock in Capital Cities is among several holdings not included in the blind trust that the CIA director set up in 1983 under pressure from Congress. Casey had come under criticism for his stock dealings while CIA director.

His latest financial disclosure form, dated May 15, 1984, states that his Capital Cities stock is worth more than \$250,000 and that his wife's holdings were valued at between \$100,001 and \$250,000.

Casey also reported that he and his wife received dividends from

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CAPITAL CITIES OF UP TO \$6,000, WHICH WOULD BE THE ANNUAL YIELD OF 30,000 SHARES. ON WEDNESDAY, CAPITAL CITIES WAS TRADING AT 205 1-8 A SHARE, PUTTING THE POSSIBLE VALUE OF CASEY'S INVESTMENT AT MORE THAN \$6 MILLION.

TO HEAD OFF ANY POTENTIAL CONFLICTS OF INTEREST, CASEY SAID HE HAS NOT TRADED IN CAPITAL CITIES STOCK SINCE THE ESTABLISHMENT OF THE BLIND TRUST.

BUT HIS HOLDINGS IN CAPITAL CITIES HAS PROMPTED QUESTIONS SINCE THE CONGLOMERATE PROPOSED TO BUY ABC, WHICH HAS BEEN THE SUBJECT OF A CIA COMPLAINT TO THE FEDERAL COMMUNICATIONS COMMISSION.

IN ITS UNPRECEDENTED COMPLAINT LAST FALL, THE CIA SAID THE NETWORK VIOLATED THE FAIRNESS DOCTRINE WHEN IT REPORTED THAT THE INTELLIGENCE AGENCY PLOTTED TO KILL A HONOLULU INVESTMENT COUNSELOR WHO HAD REVEALED CIA INVOLVEMENT IN HIS COMPANY.

THE FCC REJECTED THE COMPLAINT, THE FIRST FILED BY A GOVERNMENT AGENCY AGAINST A BROADCASTER. LAST MONTH, THE CIA ASKED THE FCC TO REVIEW THE COMPLAINT AGAIN.

ASKED ABOUT THE POTENTIAL FOR CONFLICT OF INTEREST, MS. VOLZ SAID: "THE AMOUNT OF STOCK HE OWNS IS NOT A SIGNIFICANT AMOUNT OF THE TOTAL VALUE OF CAPITAL CITIES. THE DIRECTOR HAS NO CONTROLLING INTEREST OVER CAPITAL CITIES."

"I THINK WE ARE COMPLYING WITH THE REGULATIONS OF THE GOVERNMENT ETHICS OFFICE, AND THE DIRECTOR WILL CONTINUE TO COMPLY," SHE SAID.

Casey Offers to Put Capital Cities Stock In a Blind Trust

By BRUCE INGERSOLL and BILL ABRAMS
Staff Reporters of THE WALL STREET JOURNAL
Central Intelligence Agency Director William J. Casey said he will put his holdings in Capital Cities Communications Inc. in a blind trust if government ethics officials approve the transfer.

In a statement yesterday, Mr. Casey said that his Capital Cities stock had been left out of the trust because the Office of Government Ethics had informally advised his attorney that his holdings didn't meet the requirements for a "diversified trust."

The trust was created in 1983 after some lawmakers had criticized Mr. Casey for his heavy securities trading the previous year. At that time, the statement said, Mr. Casey notified the Senate Select Committee on Intelligence of the decision to exclude the Capital Cities stock.

A CIA spokeswoman wouldn't confirm published reports that Mr. Casey, a former Capital Cities director, owns 34,755 shares, or less than one-quarter of 1%, of the publishing and broadcasting company's common stock. Last week, Capital cities agreed to acquire American Broadcasting Cos. for \$3.5 billion.

"We see no conflict-of-interest problem," said the spokeswoman, Patti Volz. "The amount of stock doesn't represent a significant amount. He doesn't have a controlling influence or power over Capital Cities."

The CIA statement said that Mr. Casey hasn't engaged in any Capital Cities stock transactions since the trust's creation. "It is a matter of independence to Mr. Casey whether that stock is in the trust or not," the statement added.

Under government ethics regulations, she said, a public official can't put a block of stock into a "diversified trust" if it amounts to more than 20% of his portfolio. She said that Mr. Casey originally wanted to put his Capital Cities stock into the trust but had been stymied by the 20% rule.

The Office of Government Ethics can grant exceptions to that rule, according to David Martin, director of the ethics agency. But because of a "misunderstanding," he said, Mr. Casey got the impression that his Capital Cities stock wasn't eligible for the trust.

In explaining the 20% rule, an attorney for the ethics agency said that under the ethics law public officials can put into such a diversified blind trust only a variety of "marketable" securities that are "readily liquidated." What Congress envisioned, he added, was "something akin to a mutual fund," with no single investment dominating the trust.

Mr. Casey reported in his latest financial disclosure statement that he owned Capital Cities stock valued at "more than \$250,000," but he didn't specify the number of shares or the value of his stake.

In New York, a Capital Cities official said Mr. Casey hasn't had any voice in the company since resigning as a director in 1981. "He's just another stockholder as far as I'm concerned," Ronald J. Doerfler, senior vice president and chief financial officer, said. "He has absolutely no input into anything that goes on here and hasn't since he resigned as a board member."

STAT

28 March 1985

Casey Owned Stock in Companies Working Under Contract to CIA

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By Howard Kurtz
Washington Post Staff Writer

CIA Director William J. Casey, before he established a blind trust in late 1983, owned stock in a number of companies that had contracts with the agency, according to CIA documents.

The Central Intelligence Agency documents were released to the private Center for National Security Studies in response to a Freedom of Information Act request.

Some of the companies' contracts were for secret operations, but others were unclassified. However, CIA officials refused to identify any of the contracts, saying this could harm U.S. intelligence.

It is not known whether Casey still owns stock in any companies that hold CIA contracts because all his financial transactions now are handled by the administrator of his blind trust without Casey's knowledge, and the trust's contents cannot be made public.

CIA spokesman Patti Volz said Casey has used an elaborate screening arrangement "precisely to avoid any possible suggestion of conflict of interest." She said the screening arrangement still is actively used for a number of financial holdings that have not been placed in Casey's trust.

Under the arrangement, Volz said, Casey's top deputies determine whether a CIA matter might pose a conflict with Casey's holdings. In such cases, the officials notify Casey, who has the option of selling his stock or disqualifying himself from the issue.

Casey described the procedure in a May 1982 memo to his staff that was among the documents made public. He said that in cases where his "holdings involve companies doing business with the agency," he would decide "on an individual investment-by-investment basis ... whether to dispose of the holding or make it subject to the screening arrangement."

Casey set up the blind trust in October 1983, after members of Congress criticized his active stock trading. It was disclosed this week that in setting up the trust, Casey did not include 34,755 shares he owns in Capital Cities Communications Inc., the conglomerate that has proposed a \$3.5 billion takeover of American Broadcasting Companies Inc. (ABC).

Volz said Casey was following rules of the Office of Government Ethics that do not allow an official to include in a blind trust a block of stock that makes up more than 20 percent of his holdings, as Casey's Capital Cities stock did at the time.

The CIA said in a statement that Casey notified Congress about his retention of the Capital Cities stock. The CIA said it is "a matter of indifference" to Casey whether that stock is in his blind trust, and that he has asked his attorney to explore whether it can be placed in the trust.

The agency documents show that CIA officials frequently discussed Casey's finances in internal memos before he created the trust. Many of the memos involve updates on Casey's holdings.

On July 22, 1982, for example, top CIA officials were told that Casey had bought stock in 10 companies, including Delta Airlines and General Motors, and sold his holdings in Federal Express. A July 28, 1982, memo said Casey had bought stock in Abbott Laboratories and sold his shares in IBM Corp.

An Aug. 24 memo said Casey bought stock in Southwest Airlines and sold his holdings in Delta. An Aug. 31 memo said he bought stock in MCI Communications and sold his shares in Merck & Co. On Nov. 1, Casey bought Merck stock again.

Another memo, to CIA general counsel Stanley Sporkin, was entitled, "Casey Oil Sales and Agency Reports Relevant to Oil." It contained "a summary of Mr. Casey's

oil stock transactions from mid-1980 to the present."

"Clearly, an enormous amount of government time was spent catering to Casey's desire to continue buying and selling stock," said Morton H. Halperin, director of the non-profit national security center, which is affiliated with the American Civil Liberties Union.

Gary M. Chase, a CIA attorney at the time the documents were prepared, said in an affidavit that it would be damaging to national security to disclose companies on Casey's list of stocks "which had classified contracts with the CIA to support intelligence activities involving sensitive intelligence methods."

Chase said he also was withholding documents that identify "corporations and other private commercial enterprises in which William J. Casey held stock, which had contracts with the CIA, but whose association with the CIA is not classified."

Chase said the agency feared that an outsider might deduce the classified contractors on Casey's list of stocks by ruling out "those companies which are highly unlikely to be CIA contractors, such as hotel chains and restaurant chains and similar industries not involving high technology services likely to be of use to an intelligence agency."

Also included in the CIA files was a 1981 article in the Soviet publication *Izvestia* that criticized Casey's financial dealings. It was entitled "CIA—A Lucrative Job."

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ON PAGE 3

28 March 1985

FILE ONLY

Casey Moves on Capital Cities Stock

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By Myron S. Waldman

Newsday Washington Bureau

Washington — CIA Director William J. Casey said yesterday that he would take his \$7.5-million interest in the company attempting a takeover of ABC and try to put it into a blind trust established in 1983.

A statement released by the CIA yesterday asserted that since 1983, "there have been no transactions in Capital Cities stock. It is a matter of indifference to Mr. Casey whether that stock is in the trust or not."

Casey established the blind trust in response to congressional charges of a potential conflict of interest in his stock transactions. Newsday reported Sunday that when he set up the trust, he exempted his 34,755 shares of Capital Cities Communications.

Since the shares make up more than 20 percent of his portfolio, he would need approval of the Office of Government Ethics to add them to the trust. The CIA statement said that Casey has "authorized his attorney to have his Capital Cities holdings transferred to the trust if that can be arranged with the Office of Government Ethics."

Once the shares are in the trust, Casey would have no control over their sale or retention.

Last week, Capital Cities proposed a \$3.5-billion merger-acquisition of ABC's television and broadcasting assets. ABC accepted, but the sale awaits government approval.

The prospect of the CIA director holding an interest in one of the nation's three major television networks has raised questions. Morton Halperin, director of the Center for National Security and a former national-security staffer in the Nixon administration, said Saturday, "A government official should not be part of the news media."

However, hours before Casey's announcement yesterday, White House spokesman Larry Speakes said, "I don't think there's any problem with

him holding the stock. If there's any change required, I'm sure his lawyers will work it out with the Office of Government Ethics. That's what the Office of Government Ethics is for, to approve these type of arrangements."

According to CIA spokeswoman Patti Volz, it was a regulation of the ethics office that precluded inclusion of Casey's Capital Cities stock in the blind trust when it was established. The regulation limits holdings in any

one company to a maximum of 20 percent of an individual's holdings.

But Volz added that the stock could be included in the blind trust now, "under a special exemption" that Casey's attorneys will apparently ask the ethics office to grant.

Repeated calls yesterday to the Office of Government Ethics and its chief, David Martin, were unanswered. [Associated Press last night quoted Martin's assistant, Peter Andriole, as saying, "The office has not made a statement yet."]

The CIA statement did not explain why a special exemption was not sought in July, 1983, when Casey set up the blind trust. In that same month, he made what was apparently his last Capital Cities transaction, selling about half of his 69,510 shares in that organization to raise money to diversify his stock portfolio.

The CIA statement also noted that the exemption of Casey's Capital Cities stock from the blind trust was reported to the U.S. Senate in 1983.

"On July 25, 1983, Mr. Casey instructed his attorney to work with the Office of Government Ethics to arrange the transfer of his securities to a 'blind trust,' the CIA statement said.

"On Aug. 26, 1983, he wrote the Senate Select Committee on Intelligence, 'the Office of Government Ethics has advised my attorney informally that my holdings in Capital Cities Communications do not meet the diversification requirements, and I will therefore hold them outside of the trust.'

"A copy of that letter was sent to the Office of Government Ethics. In October, that office approved the trust."

Although worth millions, the 34,755 shares are just over one-quarter of 1 percent of the stock of Capital Cities. Casey, however, is a cofounder of the firm and served for long periods as its counsel and a director. He gave up those posts in 1981 when he agreed to head the CIA.

Besides Capital Cities, the CIA director has held some other stocks out of the blind trust. They include a 49 percent interest in a Sacramento apartment complex, the Capitol Towers Trust; the Cove Co., which operates racquetball courts, a firm called Health 'n Sport and Kingsbury Enterprises.

Kingsbury Enterprises, according to Casey's 1984 financial statement, is a firm dealing with the "contents of a sunken ship."

Casey would put ABC-linked stock in blind trust

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WASHINGTON (AP) — CIA Director William J. Casey said yesterday he was willing to put his stock in a media conglomerate proposing to take over the ABC television network into a blind trust that was established for many of his other holdings in 1983.

In a statement issued by Central Intelligence Agency headquarters, Mr. Casey said he had instructed his personal attorney, Leonard Silverstein, to work with the Office of Government Ethics to try to make the change.

"It is a matter of indifference to Mr. Casey whether that stock is in the [blind] trust or not," a CIA spokeswoman, Kathy Pherson, said.

With Capital Cities planning to purchase ABC, the stock situation has raised questions about the director of central intelligence owning a large stake in one of the major television networks.

Mr. Casey's holdings in Capital Cities are worth as much as \$7.5 million but amount to only about one-quarter of 1 percent of the company's stock, according to the Long Island newspaper *Newsday*.

Mr. Casey withheld the Capital Cities stock from his blind trust in 1983 because ethics office regulations don't permit such a trust to include a holding, amounting to more than 20 percent of his entire portfolio, another CIA spokeswoman, Patti

Volz, said.

David H. Martin, director of the Office of Government Ethics, did not return a reporter's telephone calls. His assistant, Peter Andriole, asked if Mr. Casey's stock was not eligible for the blind trust, said, "The office has not made a statement yet." He declined to elaborate and referred questions to Mr. Martin.

The White House spokesman, Larry M. Speakes, said he saw no problem with Mr. Casey's holding the stock outside a blind trust, but declined to say whether he thought the CIA director should put the stock into a blind trust now that ABC is proposing the Capital Cities takeover.

Mr. Casey's last financial disclosure form, filed May 15, 1984, lists holdings in Capital Cities stock by both himself and his wife. It is among several holdings apart from the blind trust Mr. Casey established under pressure from Congress in October, 1983, following criticism of his stock dealings while heading the CIA.

Mr. Casey said that he had not bought or sold any Capital Cities stock since the blind trust was established to head off potential conflicts of interest.

But the Capital Cities holdings are prompting questions, since ABC,

which the conglomerate is proposing to take over, has been the target of CIA criticism about its reporting.

The CIA filed a formal complaint with the FCC last November, saying ABC violated the Fairness Doctrine in a report that the CIA plotted to kill a Honolulu investment counselor who had revealed spy agency involvement in his company. It was the first such complaint by a government agency against a broadcaster.

The FCC rejected it, and last month the CIA asked the FCC to take another look. The agency had charged ABC with "intentional news distortion" and asked that the FCC consider the matter when ABC's valuable radio and TV licenses are up for renewal.

Mr. Casey was one of the founders of Capital Cities Communications, which owns newspapers, radio and television stations and cable TV systems. He resigned from its board of directors in 1981 to take the CIA job.

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ON PAGE 5-A

USA TODAY
28 March 1985

Casey will put media stock in blind trust



CASEY: Dogged by financial questions

CIA Director William Casey said he will transfer his Capital Cities Communications Inc. stock into a blind trust with most of his other assets. Earlier the CIA said the stock did not qualify for the special 1983 trust set up to protect him against conflicts of interest. Reports of Casey's stock in Capital Cities — which last week proposed a \$3.5 billion takeover of American Broadcasting Co. — raised more questions about Casey's financial holdings, an issue that has dogged him since 1981.

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WASHINGTON POST
28 March 1985

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"I THOUGHT BLIND TRUST REFERRED TO
REAGAN'S FEELING ABOUT ME"



CASEY
WASHINGTON

THE CIA EXPLAINED WEDNESDAY WHY AGENCY DIRECTOR WILLIAM CASEY FAILED TO PLACE IN A SPECIAL FINANCIAL TRUST HIS STOCK IN A CONGLOMERATE THAT HAS PROPOSED TO TAKE OVER AMERICAN BROADCASTING CO.

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QUESTIONS ABOUT CASEY'S FINANCIAL HOLDINGS AND POSSIBLE CONFLICTS OF INTEREST HAVE DOGGED HIM SINCE HE BECAME DIRECTOR IN 1981.

THE LATEST INVOLVE CASEY'S INTEREST IN CAPITAL CITIES COMMUNICATIONS INC., A MEDIA CONGLOMERATE THAT CASEY HELPED FOUND IN 1954. LAST WEEK THE COMPANY PROPOSED A \$3.5 BILLION MERGER-ACQUISITION OF ABC'S TELEVISION AND BROADCASTING ASSETS. ABC ACCEPTED BUT THE FIRST SALE OF A TELEVISION NETWORK STILL REQUIRES GOVERNMENT APPROVAL.

CIA SPOKESWOMAN KATHY PHERSON SAID THAT WHEN CASEY, A SELF-MADE MILLIONAIRE, PUT HIS ASSETS INTO A TRUST IN 1983 TO AVOID POSSIBLE CONFLICTS OF INTEREST, CAPITAL CITIES COMPRISED SOME 60 PERCENT OF ALL HIS HOLDING.

"HE SOLD HALF OF THAT IN 1982 TO IMPROVE HIS PORTFOLIO," SHE SAID, "BUT THAT WAS NOT IN ANY WAY CONNECTED WITH THE TRUST." SHE SAID THAT CASEY HAS SAID THAT HE HAD NO ROLE IN DECISION-MAKING AT CAPITAL CITIES AND THAT HE HAD GIVEN UP HIS DIRECTORSHIP WHEN HE WAS APPOINTED CIA DIRECTOR IN 1981.

MOST OF CASEY'S OTHER STOCK IS HELD IN A DIVERSIFIED QUALIFIED TRUST, SHE SAID. THERE ARE TWO OTHER MAIN KINDS OF TRUSTS, THE OTHERS INCLUDING A DIVERSIFIED TRUST AND A BLIND TRUST, OVER WHICH AN INVESTOR HAS NO POWER OVER SELECTION AND TRADING OF HIS ASSETS.

PHERSON SAID THAT CASEY'S CAPITAL CITIES ASSETS WERE NOT ELIGIBLE UNDER TERMS OF A DIVERSIFIED QUALIFIED TRUST THAT CANNOT INCLUDE A HOLDING IF IT COMPRISES MORE THAN 20 PERCENT OF THE TOTAL PORTFOLIO.

SHE SAID THAT IN HIS LAST DISCLOSURE STATEMENT IN MAY 1984, CASEY VALUED HIS CAPITAL CITIES STOCK AT "MORE THAN" \$250,000. THAT IS THE HIGHEST CATEGORY REQUIRED IN GOVERNMENT DISCLOSURE STATEMENTS THAT DO NOT REQUIRE A SPECIFIC MONEY VALUE BUT ONLY "OVER" OR "LESS THAN" CATEGORIES.

NEWSDAY, THE LONG ISLAND, N.Y., NEWSPAPER, SUNDAY SAID THAT CASEY'S CAPITAL CITIES HOLDINGS ARE WORTH AS MUCH AS \$7.5 MILLION BUT STILL ONLY ABOUT ONE-QUARTER OF 1 PERCENT OF THE COMPANY'S STOCK.

THE WASHINGTON POST SAID WEDNESDAY CASEY HELD 34,755 SHARES IN CAPITAL CITIES.

MOST OF CASEY'S DIVERSIFIED QUALIFIED TRUST WITH OTHER THAN CAPITAL CITIES SECURITIES, PHERSON SAID, COMPRISE READILY MARKETABLE ASSETS, NONE OF WHICH CAN BE CONNECTED WITH COMPANIES HAVING "SUBSTANTIAL" DEALINGS WITH THE CIA.

CITING GOVERNMENT ETHICS RULINGS, SHE SAID, "THIS PROTECTS AGAINST CONFLICT OF INTEREST BECAUSE THE TRUST ASSETS SHOULD BE SO DIVERSIFIED THAT THE OFFICIAL ACTION OF THE PRINCIPAL ESTABLISHING THE TRUST CAN NOT HAVE ANY SIGNIFICANT EFFECT ON THE PERSON'S FINANCIAL INTEREST," SHE SAID.

PHERSON SAID SHE HAD BEEN ADVISED THAT CASEY ORIGINALLY WANTED TO INCLUDE HIS CAPITAL CITIES PORTFOLIO IN HIS DIVERSIFIED QUALIFIED TRUST BUT FOUND THOSE ASSETS WOULD NOT QUALIFY.